

City of Morro Bay



Draft Financial Plan & Rate Analysis for a New Water Reclamation Facility

June 25, 2018



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Presentation Overview



- Summary of Findings
- WRF Project Costs
- Financial Projections
- WRF Facility Surcharges
- Impacts

Objective: Present preliminary findings and obtain input

Financial Scenarios

- **BWA developed financial projections under 4 scenarios**
 - **Base Case Scenario:** WIFIA & Bond financing, WRF surcharges effective 2019/20
 - **Phase-In Scenario:** Similar to Base Case but with phase-in of WRF surcharges
 - **SRF Scenario:** Assumes partial low-rate SRF financing, instead of bonds, to supplement WIFIA Financing
 - **No Water Recycling Scenario:** Evaluate impacts of a reduced wastewater-only project
- **All scenarios assumes WRF Project funded by combination of cash funding (from rates and surcharges) and debt**
 - **More cash funding = less debt financing, lower debt service, lower rate surcharges**



WRF Facility Surcharges

Maximum Single Family Residential WRF Facility Surcharges

	Base Case	Phase-In	WIFIA & SRF	No Recycling*
	WRF+Recycling WIFIA+Bonds	Base Case with Rate Phase In	WRF+Recycling WIFIA+SRF	No Recycling All Bonds
WRF Facility Surcharges				
Sewer WRF Facility Surcharge	\$25.00	\$27.00	\$20.00	\$44.00
Water WRF Facility Surcharge	16.00	17.00	14.00	-
Total	41.00	44.00	34.00	44.00

* Under the No Recycling Scenario, the fifth and final year of the previously-adopted water rate increases would not need to be implemented, resulting in a \$4.50 reduction in the monthly water bill for a typical single family home using 5 units of water per month compared to other scenarios. This results in a net reduction of \$1.50 per month compared to the Base Case Scenario.



Total Charges with WRF Surcharge

Base Case Scenario

Total charges for a typical single family home with 5 hcf monthly use

	2018/19	2019/20	2020/21	2021/22	2022/23
Monthly Utility Bill					
Sewer Monthly Charge	\$77.00	\$83.00	\$83.00	\$83.00	\$83.00
Water Monthly Charge	62.50	67.00	67.00	67.00	67.00
Subtotal Monthly Bill	139.50	150.00	150.00	150.00	150.00
WRF Facility Surcharges					
Sewer WRF Facility Surcharge	-	25.00	25.00	25.00	25.00
Water WRF Facility Surcharge	-	16.00	16.00	16.00	16.00
Subtotal Monthly Bill		41.00	41.00	41.00	41.00
Total Monthly Charges	139.50	191.00	191.00	191.00	191.00

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Total Charges with WRF Surcharge

Phase-In Scenario

Total charges for a typical single family home with 5 hcf monthly use

	2018/19	2019/20	2020/21	2021/22	2022/23
Monthly Utility Bill					
Sewer Monthly Charge	\$77.00	\$83.00	\$83.00	\$83.00	\$83.00
Water Monthly Charge	62.50	67.00	67.00	67.00	67.00
Subtotal Monthly Bill	139.50	150.00	150.00	150.00	150.00
WRF Facility Surcharges					
Sewer WRF Facility Surcharge	-	9.00	18.00	27.00	27.00
Water WRF Facility Surcharge	-	8.00	12.00	17.00	17.00
Subtotal Monthly Bill		17.00	30.00	44.00	44.00
Total Monthly Charges	139.50	167.00	180.00	194.00	194.00

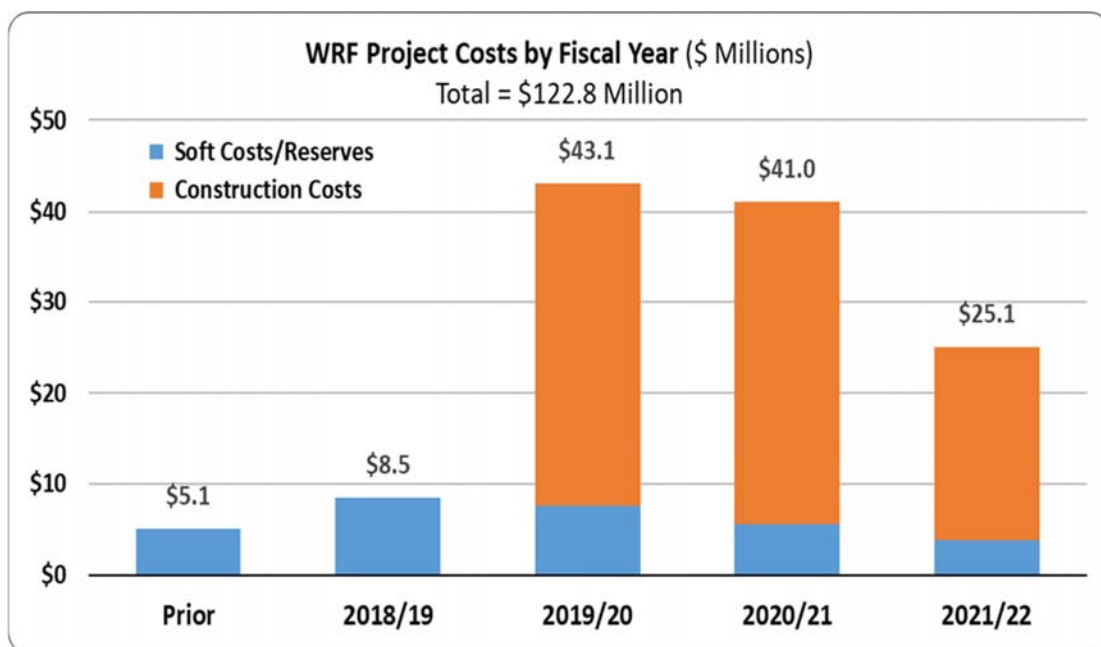
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WRF Project Costs

	Construction Costs ¹	Soft Costs	Project Reserves ²	Total Cost
Projected Capital Costs				
<i>Includes permitting, design, procurement, construction, and management.</i>				
Water Reclamation Facility	\$62,616,000	\$8,489,000	\$3,131,000	\$74,236,000
Conveyance Facilities	21,086,000	2,820,000	2,343,000	26,249,000
Offsite Recycled Water Facilities	8,592,000	2,648,000	859,000	12,099,000
General Program Implementation	0	5,160,000	0	5,160,000
Subtotal	92,294,000	19,117,000	6,333,000	117,744,000
Prior Project Expenditures	0	5,063,000		5,063,000
Total	92,294,000	24,180,000		122,807,000

WRF Project Costs by Year



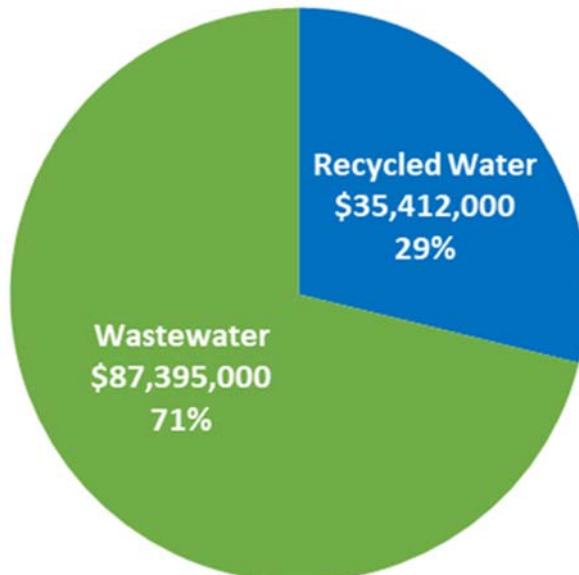
WRF Project Operating Costs

Annual Operating & Maintenance Expenses

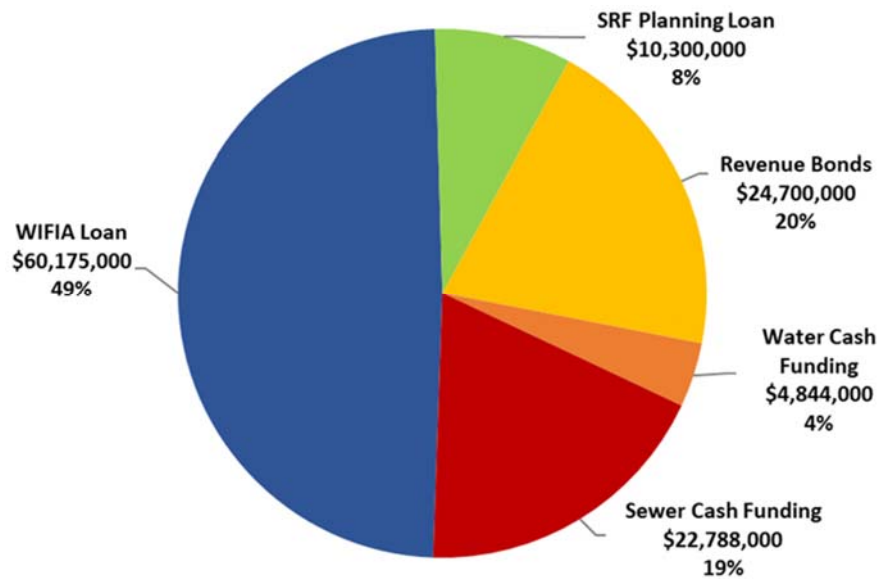
Projected online starting January 1, 2022.

	<u>2018 Estimate</u>	<u>Cost Inflation</u>	<u>2022 Projection</u>
WRF Wastewater Operations	\$2,383,000	\$299,000	\$2,682,000
Conveyance to WRF	246,000	31,000	277,000
Recycled Water Operations	193,000	24,000	217,000

Wastewater vs. Recycled Water Costs



WRF Project Funding Sources



WRF Debt Estimates

Base Case Scenario

	SRF Planning Loan	WIFIA Loan	Revenue Bonds	Total
Project Funding	\$10,300,000	\$60,175,000	\$24,700,000	\$95,175,000
Term	10 Years	35 Years	30 Years	All-In TIC
Avg Interest Rate	1.70%	3.25%	4.70%	3.48%
<u>Debt Service</u>				
Through 2029/30	\$1,130,000	\$2,973,000	\$1,190,000	\$5,293,000
After 2029/30	-	\$3,422,000	\$1,871,000	\$5,293,000

Phase-In Scenario results in \$4.3 million reduced cash funding and corresponding increase in debt financing & debt service

Capital Improvement Plans

Water

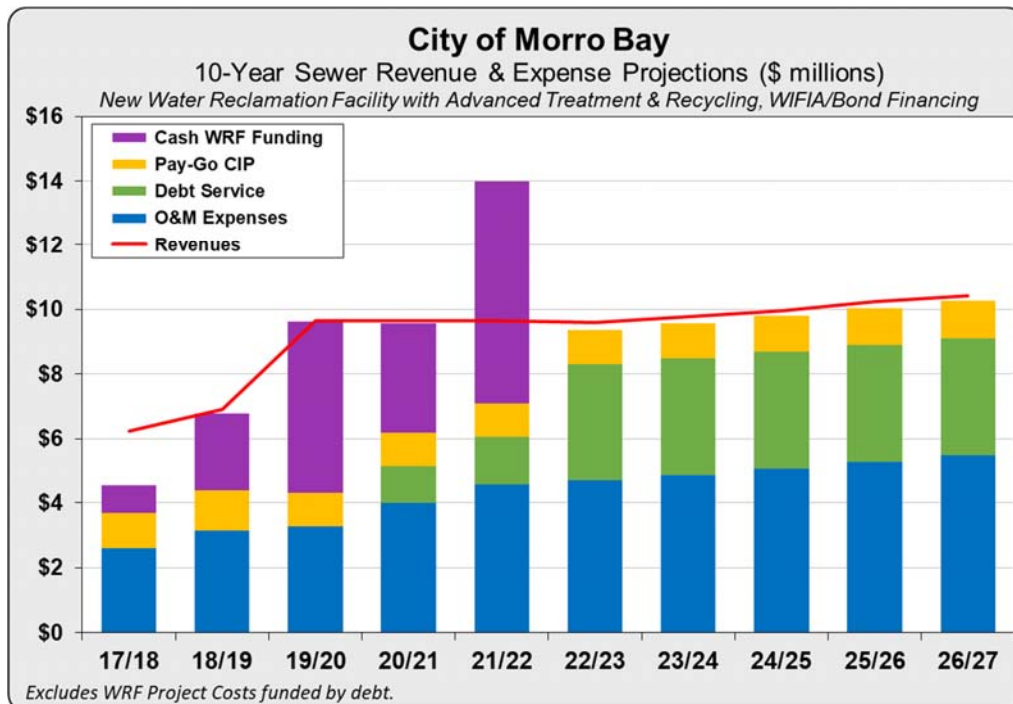
	Near-Term Years 1 - 5	Mid-Term Years 6 - 10	Long-Term Through 2040
CIP Cost Estimates	\$6,788,000	\$4,977,000	\$11,586,000
Average Annual Cost	1,357,600	995,400	965,500

Sewer

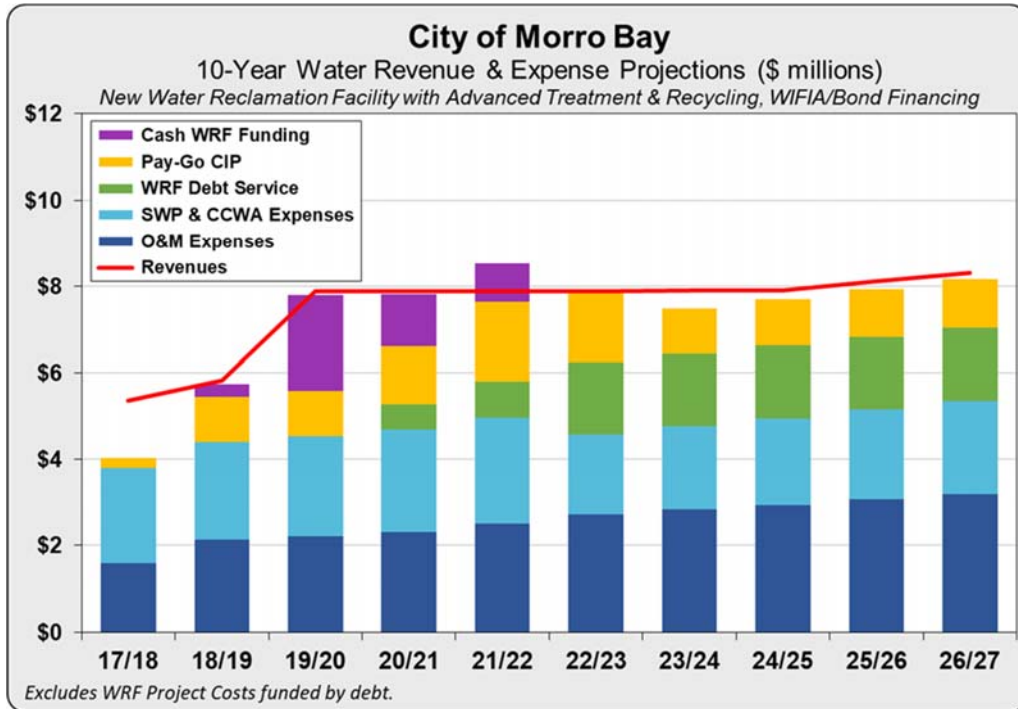
	Near-Term Years 1 - 5	Mid-Term Years 6 - 10	Long-Term Through 2040
CIP Cost Estimates	\$5,096,000	\$5,726,000	\$7,349,000
Average Annual Cost	1,019,200	1,145,200	612,417

Address funding needs of aging infrastructure

Base Case Scenario: Sewer



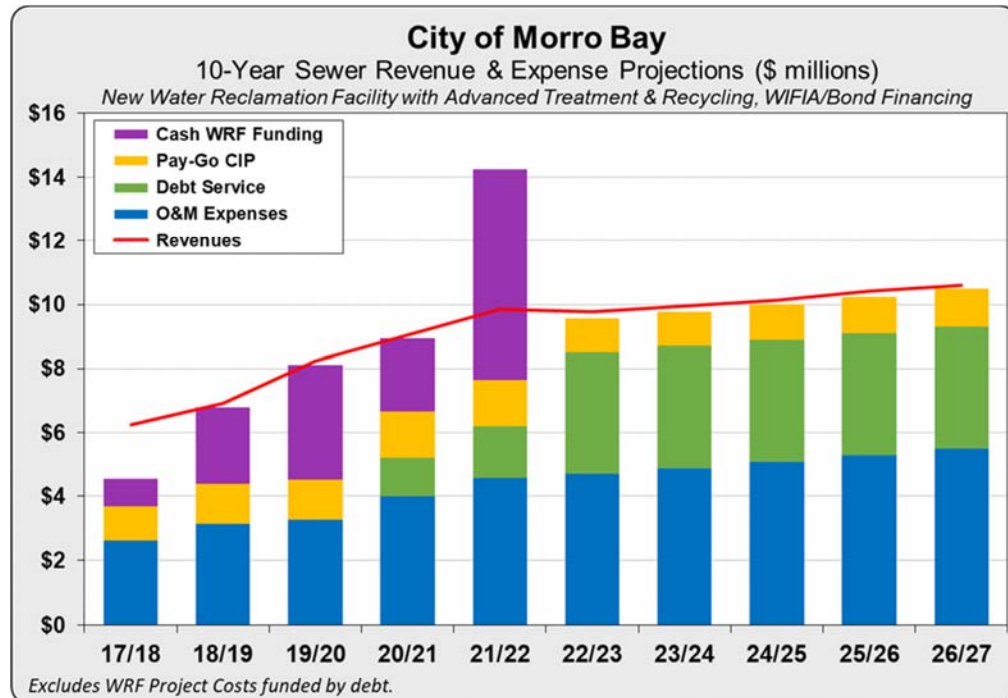
Base Case Scenario: Water



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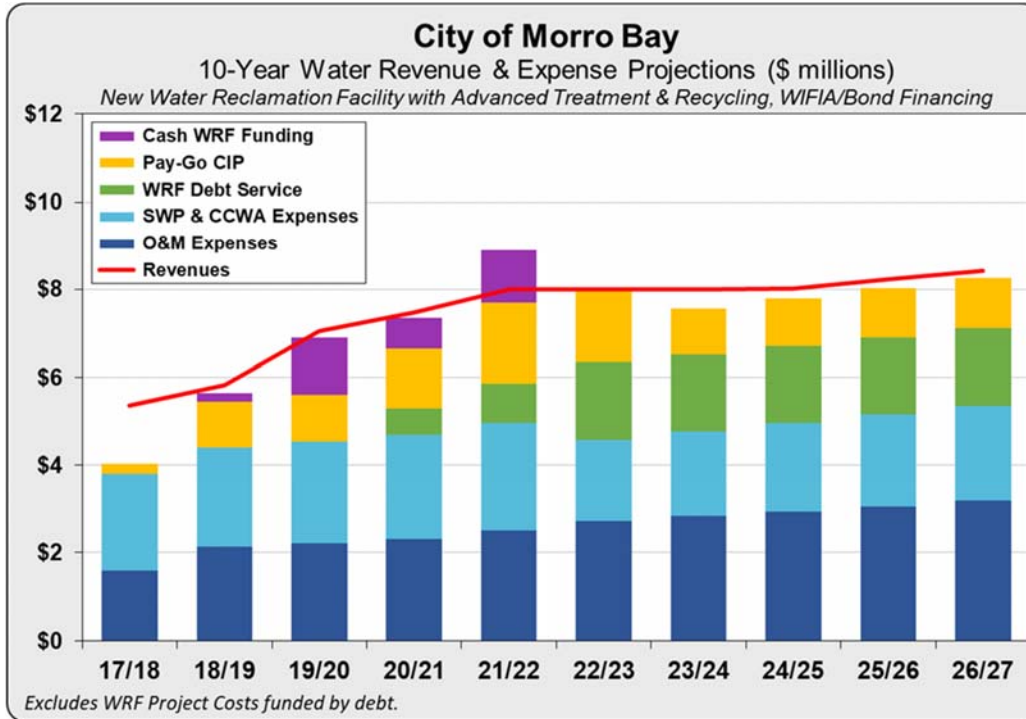
Phase-In Scenario: Sewer



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Phase-In Scenario: Water



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Sewer WRF Facility Surcharges

Base Case Scenario

	2018/19	2019/20	2020/21	2021/22	2022/23
RESIDENTIAL					
<i>Charge per residential dwelling unit</i>					
Single Family		\$25.00	\$25.00	\$25.00	\$25.00
Multi-Family/Condo		20.00	20.00	20.00	20.00
NON-RESIDENTIAL					
<i>Rate per hcf of metered water use</i>					
Class A - Low Strength		\$3.43	\$3.43	\$3.43	\$3.43
Class B - Domestic Strength		4.10	4.10	4.10	4.10
Class C - Moderate Strength		4.77	4.77	4.77	4.77
Class D - Mod-High Strength		5.43	5.43	5.43	5.43
Class E - High Strength		6.77	6.77	6.77	6.77
<i>Minimum Monthly Charge</i>		20.00	20.00	20.00	20.00

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Sewer WRF Facility Surcharges

Phase-In Scenario

	2018/19	2019/20	2020/21	2021/22	2022/23
RESIDENTIAL					
<i>Charge per residential dwelling unit</i>					
Single Family		\$9.00	\$18.00	\$27.00	\$27.00
Multi-Family/Condo		7.20	14.40	21.60	21.60
NON-RESIDENTIAL					
<i>Rate per hcf of metered water use</i>					
Class A - Low Strength		\$1.24	\$2.47	\$3.71	\$3.71
Class B - Domestic Strength		1.48	2.95	4.43	4.43
Class C - Moderate Strength		1.72	3.43	5.15	5.15
Class D - Mod-High Strength		1.96	3.91	5.87	5.87
Class E - High Strength		2.44	4.87	7.31	7.31
<i>Minimum Monthly Charge</i>		7.20	14.40	21.60	21.60

Water WRF Facility Surcharges

Base Case Scenario

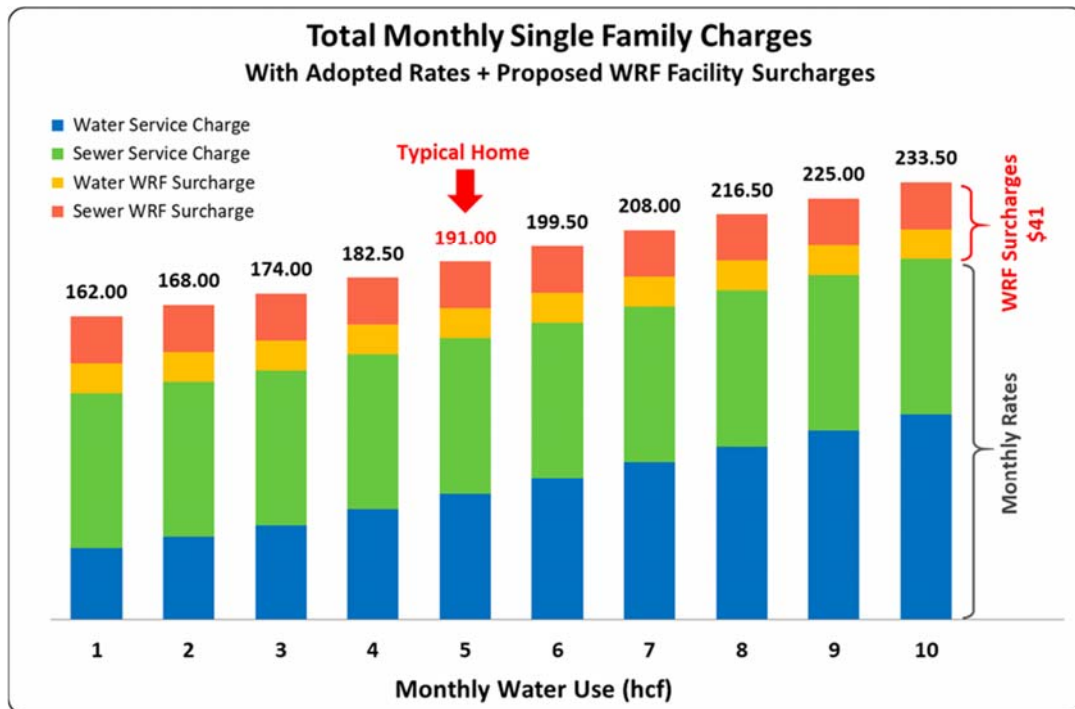
	2018/19	2019/20	2020/21	2021/22	2022/23
RESIDENTIAL					
<i>Charge per residential dwelling unit</i>					
Single Family		\$16.00	\$16.00	\$16.00	\$16.00
Multi-Family/Condo		12.80	12.80	12.80	12.80
NON-RESIDENTIAL					
<i>Rate per hcf of metered water use</i>					
Surcharge on all water use		\$3.64	\$3.64	\$3.64	\$3.64

Water WRF Facility Surcharges

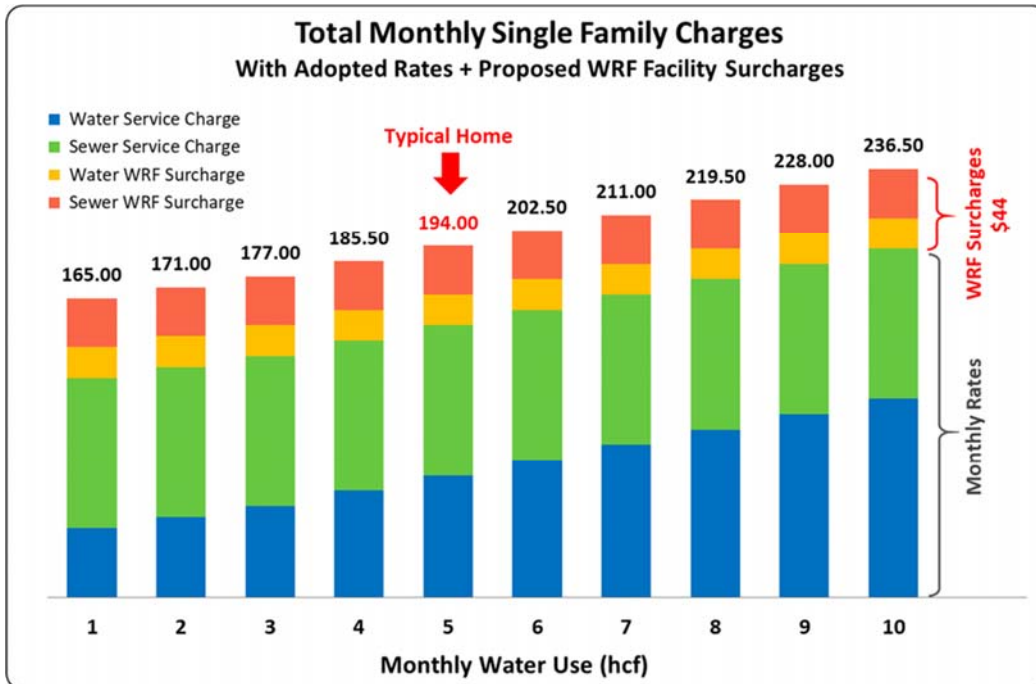
Phase-In Scenario

	2018/19	2019/20	2020/21	2021/22	2022/23
RESIDENTIAL					
<i>Charge per residential dwelling unit</i>					
Single Family		\$8.00	\$12.00	\$17.00	\$17.00
Multi-Family/Condo		6.40	9.60	13.60	13.60
NON-RESIDENTIAL					
<i>Rate per hcf of metered water use</i>					
Surcharge on all water use		\$1.82	\$2.73	\$3.87	\$3.87

Base Case Scenario



Phase-In Scenario



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Billing Alternatives

- Separate line-items on monthly bills
- Collect via property tax rolls

Example

	Annual Total	December Installment 1	April Installment 2
WRF Facility Surcharges			
Base Case Scenario	\$492.00	\$246.00	\$246.00
Phase-In Scenario	528.00	264.00	264.00

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Questions & Discussion

